

Message Text

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ACTION EB-04

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LIMDIS GREENBACK

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: VIEWS OF GERMAN PRIVATE BANKERS ON THE DOLLAR/
DM EXCHANGE RATE AND ON GERMAN ECONOMY

1. DURING A VISIT LAST WEEK TO FRANKFURT THE FINANCIAL ATTACHE FOUND A VERY LARGE DEGREE OF CONSENSUS AMONG PRIVATE BANKERS AND FOREIGN EXCHANGE DEALERS THAT THE DOLLAR/DM RATE NOW "HAD FOUND ITS LEVEL" IN THE \$1 EQUALS DM 2.30 - 2.40 RANGE WITH BOTH PRIVATE AND CENTRAL BANK PURCHASES AND SALES TENDING TO DRIVE IT BACK TOWARD \$1 EQUALS DM 2.35 IF IT MOVED SIGNIFICANTLY ABOVE OR BELOW THIS RATE. MOST PRIVATE BANKERS FELT THAT APPROXIMATELY THE PRESENT DM/DOLLAR RATE WOULD HOLD AT LEAST FOR THE NEXT SIX MONTHS AND POSSIBLY FOR MUCH LONGER THAN THAT.

2. CONCERNING THE GERMAN DOMESTIC ECONOMY, PRIVATE BANKERS SAW NO SIGNS YET OF ANY PICK UP AND MOST DID NOT EXPECT ANY FOR THE REMAINDER OF THIS YEAR. THEIR COMMENTS IMPLIED A 1975 DECREASE IN REAL GNP OF 1 - 2 PERCENT BELOW THE 1974 LEVEL.

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